THE ALLIANCE FOR CHILDREN'S RIGHTS

(A NONPROFIT ORGANIZATION)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
MARCH 31, 2016

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(A NONPROFIT ORGANIZATION)
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SingerLewak
Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Alliance for Children's Rights
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of The Alliance for Children's Rights (the "Alliance") which comprise the statement of financial position as of March 31, 2016, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, (collectively, the "financial statements").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Alliance's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Alliance's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Alliance as of March 31, 2016, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Alliance's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 24, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Singer Lewak LLP

June 28, 2016

THE ALLIANCE FOR CHILDREN'S RIGHTS

(A NONPROFIT ORGANIZATION)
STATEMENT OF FINANCIAL POSITION
March 31, 2016
(with Summarized Financial Information at March 31, 2015)

ASSETS

	2016	2015
Assets		
Cash and cash equivalents	$ 2,162,798	$ 2,031,819
Investments	7,602,403	7,667,573
Grants and pledges receivable	1,019,505	1,286,911
Prepaid expenses and other assets	138,030	111,011
Furniture and equipment, net of accumulated depreciation of $421,340 and $379,895	89,722	104,109
Total assets	**$ 11,012,458**	**$ 11,201,423**

LIABILITIES AND NET ASSETS

	2016	2015
Liabilities		
Accounts payable and accrued expenses	$ 488,748	$ 459,602
Commitments and contingencies (Note 6)		
Net assets		
Unrestricted – undesignated	2,604,701	2,672,984
Unrestricted – board-designated	2,000,000	2,000,000
Unrestricted – board-designated endowment	3,250,000	3,250,000
Temporarily restricted	2,669,009	2,818,837
Total net assets	10,523,710	10,741,821
Total liabilities and net assets	**$ 11,012,458**	**$ 11,201,423**

The accompanying notes are an integral part of these financial statements.

THE ALLIANCE FOR CHILDREN'S RIGHTS

(A NONPROFIT ORGANIZATION)
STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2016
(with Summarized Financial Information for the Year Ended March 31, 2015)

	2016			
	Unrestricted	Temporarily Restricted	Total	2015
Revenue and support				
Contributed legal services	$ 11,599,286	$ -	$ 11,599,286	$ 11,051,447
Contributions and grants	1,626,864	1,739,241	3,366,105	3,969,750
Special events, net of direct benefits expense of $329,401 and $396,816	330,266	1,595,694	1,925,960	1,826,324
Interest and dividends, net	70,520	-	70,520	73,214
In-kind contributions	40,985	-	40,985	12,975
Net assets released from restrictions	3,484,763	(3,484,763)	-	-
Total revenue and support	17,152,684	(149,828)	17,002,856	16,933,710
Functional expenses				
Program services	15,934,386	-	15,934,386	15,008,533
Management and general	548,702	-	548,702	551,808
Development and fundraising	500,503	-	500,503	456,628
Total functional expenses	16,983,591	-	16,983,591	16,016,969
Change in net assets from operations	169,093	(149,828)	19,265	916,741
Net unrealized and realized gains (losses)	(237,376)	-	(237,376)	379,955
Change in net assets	(68,283)	(149,828)	(218,111)	1,296,696
Net assets, beginning of year	7,922,984	2,818,837	10,741,821	9,445,125
Net assets, end of year	**$ 7,854,701**	**$ 2,669,009**	**$ 10,523,710**	**$ 10,741,821**

The accompanying notes are an integral part of these financial statements.

THE ALLIANCE FOR CHILDREN'S RIGHTS
(A NONPROFIT ORGANIZATION)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended March 31, 2016
(with Summarized Financial Information for the Year Ended March 31, 2015)

	Program Services											Support Services			
	Adoption	Guardianship	Benefits	Healthcare	Education	NextStep/ Transition-Age Foster Youth	Policy	Volunteer Attorney Network	Community Services	Opportunity Youth Collaborative	Total Program Services	Management and General	Development and Fundraising	2016 Total	2015 Total
Personnel															
Salaries	$ 206,911	$ 104,735	$ 327,078	$ 173,464	$ 578,270	$ 542,764	$ 178,623	$ 206,258	$ 205,199	$ 322,189	$ 2,845,491	$ 376,667	$ 345,603	$ 3,567,761	$ 3,265,145
Payroll taxes and employee benefits	47,931	23,746	72,930	39,250	132,119	120,606	40,127	47,002	47,468	70,802	641,981	77,734	73,843	793,558	726,734
Total personnel	254,842	128,481	400,008	212,714	710,389	663,370	218,750	253,260	252,667	392,991	3,487,472	454,401	419,446	4,361,319	3,991,879
Operations															
Contributed legal services	3,001,966	1,594,766	2,770,891	450,939	2,489,251	589,087	-	-	702,386	-	11,599,286	-	-	11,599,286	11,051,447
Other contributed services and goods	16,753	7,454	7,454	-	-	9,324	-	-	-	-	40,985	-	-	40,985	12,975
Rent	16,373	8,186	25,226	13,644	45,723	40,933	13,644	16,373	16,373	24,559	221,034	27,288	24,560	272,882	264,067
Outside services - professional	5,981	2,954	9,193	4,865	16,012	15,773	4,779	5,723	6,997	48,227	120,504	24,888	18,061	163,453	158,225
Outside services - IT services	3,849	2,065	5,562	3,207	10,796	11,080	3,207	3,849	3,849	13,697	61,161	7,593	5,826	74,580	64,513
Office supplies	4,375	1,370	4,455	2,491	7,764	8,980	4,697	2,740	2,740	4,322	43,934	6,168	4,721	54,823	53,838
Postage and shipping expense	3,289	342	1,230	534	1,590	1,707	776	627	1,077	854	12,026	870	784	13,680	23,945
Equipment rental	329	180	391	217	738	532	217	261	261	391	3,517	434	391	4,342	6,819
Repair and maintenance	1,314	644	1,933	1,074	3,650	3,271	1,074	1,288	1,288	1,933	17,469	4,898	1,984	24,351	18,883
Telephone	1,365	683	2,048	1,138	3,868	3,640	2,194	1,365	2,340	2,048	20,689	2,480	3,247	26,416	23,581
Printing and publishing expense	2,995	1,154	2,974	1,603	8,922	16,607	3,180	1,585	1,836	8,112	48,968	1,754	6,243	56,965	72,261
Dues, subscriptions and library	972	1,141	3,134	967	5,065	2,656	2,031	1,272	972	922	19,132	1,411	1,936	22,479	24,091
Staff training and continuing educ	-	900	1,971	92	3,721	3,308	3,640	-	-	130	13,762	430	183	14,375	9,139
Insurance expense	2,536	2,302	4,437	2,325	6,996	6,574	1,923	2,536	2,074	2,771	34,474	7,563	5,300	47,337	39,015
Mileage, travel and recognition	953	396	2,598	3,629	14,191	12,334	20,384	659	462	23,800	79,406	1,841	3,255	84,502	74,156
Intern/volunteer/pro bono	558	279	889	1,007	1,580	4,319	465	17,338	558	837	27,830	1,030	836	29,696	39,250
Client services	2,144	1,499	1,911	1,127	2,009	8,209	-	-	-	1,507	18,406	201	-	18,607	15,026
Youth Development	200	-	-	-	-	15,958	450	-	-	10,239	26,847	109	-	26,956	27,176
Community training and seminars	-	-	-	-	-	155	195	-	-	-	350	-	-	350	3,826
Miscellaneous	65	-	3,499	-	-	-	-	-	-	-	3,564	1,198	-	4,762	5,500
Depreciation	2,487	1,243	3,730	2,072	7,046	6,216	2,072	2,487	2,487	3,730	33,570	4,145	3,730	41,445	37,357
Total operations	3,068,504	1,627,558	2,853,526	490,931	2,628,922	760,663	64,928	58,103	745,700	148,079	12,446,914	94,301	81,057	12,622,272	12,025,090
Total functional expense	**$ 3,323,346**	**$ 1,756,039**	**$ 3,253,534**	**$ 703,645**	**$ 3,339,311**	**$ 1,424,033**	**$ 283,678**	**$ 311,363**	**$ 998,367**	**$ 541,070**	**$ 15,934,386**	**$ 548,702**	**$ 500,503**	**$ 16,983,591**	**$ 16,016,969**

The accompanying notes are an integral part of these financial statements.

THE ALLIANCE FOR CHILDREN'S RIGHTS

(A NONPROFIT ORGANIZATION)
STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2016
(with Summarized Financial Information for the Year Ended March 31, 2015)

	2016	2015
Cash flows from operating activities		
Change in net assets	$ (218,111)	$ 1,296,696
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	41,445	37,357
Net unrealized and realized (gains) losses	237,376	(379,955)
Changes in operating assets and liabilities		
Grants and pledges receivable	267,406	(739,933)
Prepaid expenses and other assets	(27,019)	18,583
Accounts payable and accrued expenses	29,146	139,989
Deferred revenue	-	(73,900)
Net cash provided by operating activities	330,243	298,837
Cash flows from investing activities		
Purchases of equipment	(27,058)	(33,495)
Proceeds from sales of (purchases of) investments, net	(172,206)	15,795
Net cash used in investing activities	(199,264)	(17,700)
Net increase in cash and cash equivalents	130,979	281,137
Cash and cash equivalents, beginning of year	2,031,819	1,750,682
Cash and cash equivalents, end of year	**$ 2,162,798**	**$ 2,031,819**

The accompanying notes are an integral part of these financial statements.

NOTE 1 – ORGANIZATION

The Alliance for Children's Rights (the "Alliance") protects the rights of impoverished, abused and neglected children and youth. By providing free legal services and advocacy, the Alliance ensures children have safe, stable homes, healthcare and the education they need to thrive. For many of our clients, the Alliance is the only connection to a safer, brighter future.

During the last fiscal year, 8,208 children's cases were handled and, since its founding in 1992, the Alliance has improved the lives of more than 125,000 children, providing them with permanency through adoption and legal guardianship, access to healthcare and an equitable education.

More than a quarter of all children in Los Angeles County live in poverty, and there are more children in foster care here than anywhere else in the country. The Alliance's dedicated staff includes lawyers, social workers and advocates supplemented by pro bono attorneys, paralegals and other volunteers who donate their time and talent to help ensure these vulnerable children have the support and services they need to succeed in school and in life.

Adoption
Stable, nurturing homes are a primary need for the children the Alliance serves. Adoption gives foster children a chance to be part of a permanent family. With the help of pro bono attorneys, the Alliance overcomes barriers and delays for children waiting for their adoption to finalize. Working with adoptive families to identify the health, educational and financial needs of the child, management understands that the Alliance completes one third of all adoptions of children in Los Angeles County foster care. Our Adoption Day program led to the creation of National Adoption Day, celebrated in every state across the country.

Guardianship
The Alliance assists kin and family friends to become legal guardians through the probate court for children whose parents are unable to care for them. This formal relationship provides the stability of a family and keeps many children from entering the foster care system. The Alliance and its pro bono attorneys help hundreds of low-income caregivers become legal guardians and gain access to services and supports each year.

Public Benefits and Services
Children in foster care have a tremendous need for a stable home. Caregivers, particularly relatives, who step up to provide for these children are often low-income and can become overwhelmed with their new responsibilities, putting that essential stability at risk. The Alliance obtains appropriate funding and services for these children so that caregivers can provide basic necessities and access critical services like counseling, child care, tutoring, specialized medical equipment and respite care. Securing these resources can often mean the difference between permanent, safe homes and struggling, unstable ones.

NOTE 1 – ORGANIZATION (Continued)

Healthcare
A child's illness can be emotionally and financially devastating for any family and, for families already living in poverty, the challenges are even greater. The Alliance helps children facing Medi-Cal eligibility problems, treatment denials and inadequate access to physicians, dentists and mental health services. The Alliance also conducts training and support for medical and social service providers.

Education
More than half of all foster children have learning disabilities, behavioral issues or developmental delays. This, combined with frequent moves and school changes, results in a 60% school drop-out rate. The Alliance levels the playing field for these children by advocating for them to receive assessments, education services and therapies tailored to meet their special needs. Evidence shows that reaching children at a young age will improve healthy development and reduce or avoid the need for special education and mental health services later. In response, the Alliance created the Saltz Family Early Intervention Center which increases access to treatments and services for hundreds of children ages 0 – 5 every year. The Alliance also works to keep youth succeeding in school and on track for high school graduation by ensuring they are in appropriate classes, are immediately enrolled and receive partial credits when they change schools, have tutoring, transportation and other services to support their education.

NextStep for Transition-Age Foster Youth and Mentoring
Every year, thousands of youth "age out" of the foster care system in Los Angeles without a permanent family, adequate support or preparation. The Alliance provides a safety net to youth ages 14 – 25, empowering them with skill building workshops, access to resources, advocacy and mentoring to overcome barriers to employment, education, housing and healthcare. The Alliance advocates for high-risk, high-need foster youth including child victims of sex trafficking, pregnant and parenting teens, and youth crossing into delinquency. For youth with severe disabilities, the Alliance secures SSI benefits to pay for housing and medical care to help avoid homelessness. Together with pro bono attorneys, community volunteers and mentors, the Alliance is improving outcomes for these youth.

System-wide Reform and Advocacy
The Alliance provides children with a voice for system-wide change. Through litigation, legislative reform and support of sound policy, the Alliance promotes policies and practices that are in the best interest of children and challenges those that are not. Through its work with a high volume of individual clients, the Alliance is able to recognize trends and identify issues on a larger scale, and respond with systemic solutions that improve the lives of countless children and families.

NOTE 1 – ORGANIZATION (Continued)

Opportunity Youth Collaborative

The Aspen Institute for Community Solutions has selected the Alliance to lead a cross-sector, multi-agency effort that will improve education and employment outcomes for transition-age youth (TAY) in Los Angeles. The L.A. Opportunity Youth Collaborative (OYC) brings together public agencies, nonprofit Alliances, education systems and employers through a framework of collective impact. OYC will leverage resources and create linkages among the many systems and community Alliances that serve current and former foster youth. It will improve policies and resolve system barriers as it supports youth on pathways to: (1) high school graduation and GED attainment, (2) postsecondary enrollment and credential completion, and (3) workforce readiness and gainful employment.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Accounting

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Alliance are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- *Unrestricted – Undesignated* – These generally result from revenues generated by receiving unrestricted contributions, providing services and receiving interest from investments less expenses incurred in providing program-related services, raising contributions and performing administrative functions.

- *Unrestricted – Board-designated* – These are comprised of resources which the board of directors has established as being designated for funding future legal services, health care, education and child advocacy programs. For purposes of complying with net assets accounting, these funds are included in unrestricted net assets at March 31, 2016.

- *Unrestricted – Board-designated Endowment* – In 2003, the board of directors approved an allocation of unrestricted net assets for endowment purposes to provide a source of income to the Alliance in perpetuity. In the years subsequent to 2003, the board designated additional endowment funds. For purposes of complying with net assets accounting, these funds are included in unrestricted net assets at March 31, 2016.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Accounting (Continued)

- *Temporarily Restricted* – The Alliance reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from program or capital restrictions.

- *Permanently Restricted* – These net assets are received by donors who stipulate that resources are to be maintained permanently but permit the Alliance to expend all of the income (or other economic benefits) derived from the donated assets. The Alliance has no permanently restricted net assets at March 31, 2016.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented.

Cash and Cash Equivalents
Cash and cash equivalents include all highly liquid investments purchased with an initial maturity of three months or less. At March 31, 2016, the Alliance had $329,464 invested in money market funds, which is included in cash and cash equivalents.

Grants and Pledges Receivable
Unconditional contributions, including pledges recorded at estimated net realizable value, are recognized as revenues in the period in which they are received. The Alliance reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets.

Furniture and Equipment
Furniture and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets ranging from three to five years. Maintenance and repair costs are charged to expense as incurred.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Concentration of Credit Risks
Certain financial instruments held by the Alliance potentially subject the Alliance to concentrations of credit risk. These financial instruments include cash and cash equivalents, receivables and investments.

The Alliance maintains its cash and cash equivalents accounts with one financial institution. Cash deposits at this institution are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At times, during the year, cash in these accounts may exceed the federally insured amounts. The Alliance has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

With respect to contributions revenue, the Alliance routinely assesses the financial strength of its donors and, as a consequence, believes that the receivable credit risk exposure is limited.

The Alliance holds investments in the form of short-term money market investments, certificates of deposit, corporate bonds and common stocks of publicly held companies, government-guaranteed bonds, municipal bonds and U.S. government and agency securities. Market values of such investments and credit ratings of bond issuers are routinely reviewed by the board of directors.

Donated Materials and Services
Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation are recorded at fair value in the period received.

Income Taxes
The Alliance is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic No. 740, "Income Taxes," the Alliance recognized the impact of tax positions in the financial statements if those positions will more likely than not to be sustained on audit, based on the technical merits of the position. The Alliance is exempt from income taxes or not subject to income taxes on unrelated business income. The Alliance has no recognized/derecognized tax benefits or tax penalties or interest. As of March 31, 2016, the open tax years for the Alliance were 2013 to 2016.

Functional Allocation of Expenses
Costs of providing the Alliance's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect costs. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Alliance has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01"), which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 will be effective for the Alliance for fiscal years beginning after December 15, 2018. The Alliance does not believe the adoption of the new financial instruments standard will have a material impact on its financial statements. The Alliance elected to early adopt the amendment that no longer requires disclosure of the fair value of financial instruments that are not measured at fair value and as such, these disclosures are not included herein.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic No. 840, "Leases." Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Alliance is currently evaluating the impact of its pending adoption of the new standard on the financial statements.

NOTE 3 – INVESTMENTS

Investments at March 31, 2016 consisted of the following:

Certificates of deposit	$ 999,893
Mutual funds	356,763
Equity securities	3,035,358
Fixed income securities	3,210,389
Total	**$ 7,602,403**

The Alliance reports all interest and dividend income in operating activities and net unrealized and realized gains or losses in nonoperating activities. Investment return for the year ended March 31, 2016 consisted of the following:

Interest and dividends (net of expenses of $59,334)	$ 70,520
Net unrealized and realized gains	(237,376)
Return on investments	**$ (166,856)**

FASB ASC Topic No. 820, "Fair Value Measurements and Disclosures" ("ASC 820"), applies to all assets and liabilities that are recognized or disclosed at fair value on a recurring basis. ASC 820 defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. In addition to defining fair value, ASC 820 expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs.

The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In general, and where applicable, the Alliance uses quoted prices in active markets for identical assets to determine fair value. If quoted prices in active markets for identical assets are not available to determine fair value, then they use quoted prices for similar assets or inputs other than the quoted prices that are observable either directly or indirectly.

NOTE 3 – INVESTMENTS (Continued)

Assets and liabilities measured at fair value on a recurring basis at March 31, 2016 consisted of the following:

	Level 1	Level 2	Level 3	Total
Cash	$ 1,833,334	$ -	$ -	$ 1,833,334
Money market funds	329,464	-	-	329,464
Mutual funds	356,763	-	-	356,763
Equity securities	3,035,358	-	-	3,035,358
U.S. government and agency securities	288,930	1,081,510	-	1,370,440
Certificates of deposit	-	999,893	-	999,893
Municipal bonds	-	297,234	-	297,234
Corporate bonds	-	1,356,938	-	1,356,938
Floating rate and adjustable rate notes	-	185,777	-	185,777
Total	**$ 5,843,849**	**$ 3,921,352**	**$ -**	**$ 9,765,201**

The above table reconciles to the statement of financial position as follows:

Cash and cash equivalents	$ 2,162,798
Investments	7,602,403
Total	**$ 9,765,201**

NOTE 4 – GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable are recorded as support when pledged unless designated otherwise. Management expects the pledges receivable to be fully collectible and therefore no allowance for doubtful accounts has been established.

During fiscal years 2016 and 2015, two donors represented approximately 51% and 63% of grants and pledges receivable, respectively.

NOTE 4 – GRANTS AND PLEDGES RECEIVABLE (Continued)

During the year ended March 31, 2016, the Alliance received grants and pledges that are scheduled to be received within the next five years. At March 31, 2016, grants and pledges expected to be received were as follows:

Within one year or less	$ 969,505
Within one year to five years	50,000
Total	**$ 1,019,505**

NOTE 5 – FURNITURE AND EQUIPMENT

Furniture and equipment at March 31, 2016 consisted of the following:

Furniture and equipment	$ 511,062
Less accumulated depreciation	(421,340)
Total	**$ 89,722**

Depreciation expense for the year ended March 31, 2016 was $41,445.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Obligations under Operating Leases

The Alliance leases a facility under an operating lease expiring in August 2016. Negotiations are in process for an extension on this lease. The future estimated minimum lease payments required under this operating lease agreement at March 31, 2016 are as follows:

Fiscal Year	Amount
2017	$ 89,891
Total	**$ 89,891**

Rent expense under operating leases for the year ended March 31, 2016 was $272,882.

NOTE 6 – COMMITMENTS AND CONTINGENCIES (Continued)

Contracts
Certain of the Alliance's contracts, aggregating less than $250,000 per annum each, are subject to inspection and audit by governmental and quasi-governmental funding agencies as they are funded by the State Bar of California. The potential exists for disallowance of previously funded program costs. Management believes that the ultimate liability, if any, which could result from these monitoring audits, would not be material and, accordingly, the Alliance has no provisions for the possible disallowance of program costs on its financial statements.

Legal Matters
In the ordinary course of business, the Alliance may be subject to certain lawsuits and other potential legal actions. In the opinion of management, such matters will not have a material effect on the financial position of the Alliance.

NOTE 7 – BOARD-DESIGNATED ENDOWMENT

The Alliance's endowment consists of funds designated by the board of directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Alliance's endowment is viewed by the board of directors as long-term in nature. Currently, the endowment assets are board-designated and not donor-restricted, and are classified as unrestricted net assets. At present, the Alliance does not intend to distribute any of the endowment assets for operating purposes or other expenses. Currently, the Alliance designates interest and dividends to operations.

Given the long-term nature of the endowment, the board of directors has adopted an investment policy designed to prudently optimize the long-term benefit of the funds and to achieve growth of both principal and income sufficient to preserve the purchasing power of the assets.

The board of directors has elected to use a professional investment manager to advise the finance committee of the board of directors. The target allocation between equity and fixed income securities is set by the finance committee, with the approval of the board of directors, and is designed to enhance total return while avoiding undue risk concentrations in single asset classes or investment categories.

There were no changes in the board-designated endowment from March 31, 2015 to March 31, 2016.

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at March 31, 2016 consisted of the following:

	Balance at April 1, 2015	Revenue	Released from Restriction	Balance at March 31, 2016
Adoption	$ 76,262	$ 135,939	$ 132,748	$ 79,453
Guardianship	67,083	75,939	86,068	56,954
Benefits	225,078	214,560	297,469	142,169
Healthcare	52,000	218,839	112,155	158,684
Education	262,714	766,540	616,345	412,909
Transitioning Youth/Nextstep	1,093,206	368,602	754,105	707,703
Policy	37,500	90,000	112,500	15,000
OYC	225,000	775,000	434,167	565,833
Core Operating	779,994	689,516	939,206	530,304
Total assets	**$ 2,818,837**	**$ 3,334,935**	**$ 3,484,763**	**$ 2,669,009**

NOTE 9 – CONTRIBUTED LEGAL SERVICES – VOLUNTEER ATTORNEY NETWORK

The Alliance depends on the generosity of volunteers to provide free legal assistance to children in need of guardianships, adoption, health care, special education, public benefits and other critical services. As the number of children the Alliance helps grows, so have efforts to expand recruiting, training and supervision of more volunteer law firms, attorneys, summer associates and paralegals. Over the past 20 years, the Alliance has trained nearly 4,500 such volunteers.

During the past several years, the Alliance has emphasized the recruitment of pro bono law firms that are prepared to handle numerous cases throughout the year. Currently, the Alliance has relationships with nearly 1,000 attorneys, law interns and paralegals.

The volunteer attorneys, summer associates and paralegals complete timesheets to report the hours spent working with the Alliance children and families. These timesheets are tracked in a database and totaled. To estimate the hourly rates, the Alliance uses an average of actual rates reported.

For the year ended March 31, 2016, there were approximately 31,958 hours of contributed legal services donated. The estimated fair value of these services was $11,599,286.

NOTE 10 – EMPLOYEE BENEFIT PLAN

The Alliance has a defined-contribution plan whereby the Alliance contributes three percent of the annual gross salaries of eligible employees. The employee benefit plan expense charged to operations for the year ended March 31, 2016 was $78,536.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated significant events or transactions that have occurred since the balance sheet date through June 28, 2016, which represents the date that the financial statements were available for issue.